

# New business class for pot growers kills their farm tax status

## Classification preserves municipalities' property tax revenues

BY KELLY SINOSKI, VANCOUVER SUN JUNE 24, 2014

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Richmond's MediJean, which has a license from Health Canada to grow medical marijuana for research and development, agreed to pay regular taxes when it set up next to the city's RCMP station.

**Photograph by:** DARRYL DYCK, THE CANADIAN PRESS

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Commercial medical marijuana operators in B.C. will not be allowed to claim farm tax status after the provincial government created a new business classification for the federally licensed facilities.

The new classification is in response to a Health Canada law that came into effect in April that regulates new commercial facilities that produce, process and distribute medical marijuana and prohibits production in residential homes.

Coralee Oakes, minister for community, sport and development, said the province decided to come up with a new business class after B.C. municipalities complained that they could lose significant tax dollars under the scheme while having to pay more for increased regulation of the facilities.

The concerns arose after BC Assessment ruled that licensed commercial medical marijuana production could receive farm tax status even if it wasn't located on agricultural land.

A Metro Vancouver report by planner Tom Pearce had warned the potential property taxation implications could be significant for the region depending on how many medical marijuana producers apply for farm class status on properties billed as industrial or commercial.

Oakes said the new classification, which will apply to all federally regulated narcotics, will ensure local governments do

not lose potential property tax revenues from Health Canada licensed-production facilities. Under the new rules, medical marijuana production on the Agricultural Land Reserve will still be an allowable farm use, but will not be eligible for farm tax status.

"While this is new we have to look long term, 10 years down the road, to make sure we are capturing the assessment piece," Oakes said in an interview with The Vancouver Sun Tuesday. "It's a large industry. The facility in Nanaimo is a \$10 million to \$15-million facility. It's not a like mom-and-pop operation."

Health Canada has so far licensed 13 medical marijuana producers across Canada, with six of those in B.C. — including one in Whistler and three in Metro Vancouver — while another 100 are being assessed, including one from Highmark in the Township of Langley. If they were allowed to get farm tax status, a medical marijuana producer operating out of a \$2.1-million, 25,000-square-foot warehouse on a one-acre industrial property in Richmond, for example, would pay just \$395 in annual taxes — 99 per cent less than the \$33,100 a comparable business would have to shell out.

Richmond Coun. Harold Steves, who sits on Metro's regional planning and agriculture committee, welcomed the move Tuesday, saying he had been worried the move would set a precedent, with people growing St. John's Wort or other herbal medicines seeking farm-class tax status. Metro had planned to take the issue to the Union of B.C. Municipalities this fall.

"What we wanted to do was to make sure that if medical marijuana went onto industrial land they paid the full tax," he said. "This is an important move. Basically we wanted to encourage these developments to go on industrial land and a lot of municipalities didn't want to do that because they would pay lower taxes. When you have to provide extra services for a business, it really hurts when they pay less taxes."

Richmond's MediJean, which has a license from Health Canada to grow medical marijuana for research and development, agreed to pay regular taxes when it set up next to the city's RCMP station. David Taylor, a director with Highmark, a company seeking a license to open a medical marijuana facility in the Township of Langley, said his company wasn't planning on seeking a tax break.

Oakes said the move is consistent with the approach being taken in neighbouring Alberta, but the province will continue to review it to make sure it is in the best interests of both parties. **The exclusion from farm classification for property tax purposes will take effect for property assessments in the 2015 taxation year.**

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